

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BME1014 – INTRODUCTORY MICROECONOMICS

(All sections / Groups)

12 MARCH 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 2 pages with 4 questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

- (a) Explain the following three key economic ideas:
- (i) People are rational
 - (ii) People respond to incentives
 - (iii) Optimal decisions are made at the margin
- (9 marks)
- (b) Explain the concept of Production Possibilities Frontier (PPF) using an appropriate diagram.
- (16 marks)
- (Total: 25 marks)

QUESTION 2

- (a) A change in demand and a change in quantity demanded involving two different impact on demand curve. Discuss this statement using an appropriate diagram.
- (10 marks)
- (b) Discuss the concepts of economic surplus, consumer surplus and producer surplus, using an appropriate diagram.
- (15 marks)
- (Total: 25 marks)

QUESTION 3

- (a) (i) Distinguish between the marginal product of labor and the average product of labor.
- (4 marks)
- (ii) The marginal product of labor rises initially because of the effects of specialization and division of labor, and then it falls due to the effects of diminishing returns. Explain the law of diminishing returns.
- (6 marks)
- (b) Explain how a firm maximizes profit in a perfectly competitive market, using an appropriate diagram.
- (15 marks)
- (Total: 25 marks)

Continued.....

QUESTION 4

- (a) Discuss the difference between monopolistic competition and perfect competition in terms of efficiency.
(10 marks)
- (b) The marginal revenue product of labor curve is the demand curve for labor. Discuss this statement using an appropriate diagram.
(15 marks)
- (Total: 25 marks)

End of Paper